

1000 SOUTH WASHINGTON AVENUE, SUITE 101
LANSING, MICHIGAN 48910-1647

www.cedam.info

VOICE 517.485.3588

FAX 517.485.3043

staff@cedam.info



March 21, 2012

To: State Senator Judy Emmons

Cc: Members of the Senate Committee on Families, Seniors and Human Services

Enc: March 14, 2012, Written Testimony on House Bill 5033 by CEDAM

RE: Errors in Senate Fiscal Analysis of House Bill 5033
Cost to Michigan taxpayers of House Bill 5033

Dear Senator Emmons:

As you and members of the Senate Committee on Families, Seniors and Human Services consider House Bill 5033, a bill that would require the Department of Human Services to implement an asset test for the Food Assistance Program (FAP), I would like to make you aware of the significant costs to the state of this bill. The Senate Fiscal Analysis (SFA) of this bill dated March 13, 2012, fails to take into account the cost of verifying the assets of nearly one million FAP cases, incorrectly calculates the potential impact on case closure and erroneously assumes a savings to the state resulting from this legislation. The actual cost to Michigan taxpayers of HB 5033, as indicated in our written testimony provided on March 14, 2012, could be as much as \$18 million.

The SFA fiscal analysis for this bill assumes an annual savings to the state of \$1.1 million of implementing an asset test for both FAP and FIP. This is simply not the case. First, SFA incorrectly calculates the number of FIP cases that could be closed to be 94. Using their own assumptions (which I would argue are suspect, at best) and correctly calculating 0.7% of 1,340 results in 9 potential FIP closures, not 94, and would result in \$46,548 in potential annual savings to the state, not \$486,168 as estimated by SFA.

The miscalculation of FIP savings by SFA is significant because it is only in FIP where any actual savings to the state might be found. Whereas FIP benefits are funded with state tax revenue, FAP benefits are funded entirely with federal dollars. In other words, the SFA estimate of a \$622,080 decrease in FAP benefits does not result in any actual savings to the state, but rather a decrease in federal dollars coming to Michigan. This, too, is significant because, as numerous recent studies indicate, benefits from Supplemental Nutrition Assistance Program (SNAP) extend beyond just providing income support for the recipient; SNAP benefits have a ripple effect on local economies as they are spent very quickly resulting in job creationⁱ and new economic activity.ⁱⁱ

The SFA also assumes that the same percentage of people who play and win the lottery receive FAP and FIP benefits as the general population. There is no research or data of which I am aware that supports such an assumption, however if we accept this as true, the estimated savings of this bill by SFA fails to take into account increased cost of labor by DHS workers to implement the FAP asset tests (until October 1, 2011, DHS workers did not conduct an asset test for FAP) for all 927,375 FAP cases.ⁱⁱⁱ To date, DHS has not provided an estimate of changes in administrative costs as a result of the asset test for FAP they began on October 1, 2012. Costs could be as high as \$18 million, if not more, considering the total number of cases, the

median hourly wage of a DHS eligibility specialist and their duties to assist clients in verification as prescribed in the Bridges Administrative Manual.^{iv}

CEDAM's concern with asset limits prescribed in HB 5033 is that, instead of encouraging families to achieve self-sufficiency and promoting positive financial behaviors and economic security, asset limits send the message that saving money is a bad thing. We do not oppose preventing winners of sizable amounts from the lottery from receiving FAP or FIP. Moreover, if this is in fact the rationale for this legislation, then we suggest that HB 5033 be amended to require DHS to implement an asset test only for the winners of the lottery. This would, without question, decrease the administrative cost of these legislative requirements for asset tests.

As I mentioned in my written testimony on March 14, 2012, it often takes years to realize the positive return on investment in state spending on social services and human capital, but that is not the case here. Eliminating asset limits would have an immediate and positive impact on both the state budget and the roughly two million Michigan residents who rely on the FAP program to help them get through their current financial insecurity. That is why, on behalf of CEDAM, our members and the families they serve, I ask that you amend House Bill 5033 by removing the requirement for an asset test.

As you and members of the Michigan Senate consider House Bill 5033 and other issues related to family self-sufficiency and economic security, I encourage you to consider how policies like asset limits create unintended barriers to financial empowerment and independence. Please do not hesitate to contact me if you have any questions or require any additional information.

Sincerely,



Ross H. Yednock
Director, Asset Building Policy Project

The Community Economic Development Association of Michigan (CEDAM), a nonprofit organization, represents hundreds of organizations and individuals committed to rebuilding our neighborhoods and revitalizing communities throughout Michigan. CEDAM is a membership association of primarily nonprofit community development corporations (CDCs), community action agencies, and other nonprofits that provide affordable and supportive housing to our most vulnerable citizens, encourage downtown and commercial corridor revitalization, provide workforce and entrepreneurship training and help families develop and maintain assets. For more information about CEDAM, please visit www.cedam.info.

ⁱ The Center for American Progress: The Economic Consequences of Cutting the Supplemental Nutrition Assistance Program (2012) http://www.americanprogress.org/issues/2012/03/snap_report.html

ⁱⁱ Moody's Economy.com: The Economic Impact of the American Recovery and Reinvestment Act (2012) http://www.economy.com/mark-zandi/documents/Economic_Stimulus_House_Plan_012109.pdf

ⁱⁱⁱ Assistance Program case load as in January, 2012. Michigan Department of Human Services: Fact Sheet (January 2012)

^{iv} DHS Bridges Administrative Manual 105 (see page 10) <http://www.mfia.state.mi.us/olmweb/ex/bam/105.pdf> & DHS Bridges Administrative Manual 130 (see page 5) <http://www.mfia.state.mi.us/olmweb/ex/bam/130.pdf>

1000 SOUTH WASHINGTON AVENUE, SUITE 101
LANSING, MICHIGAN 48910-1647

www.cedam.info

VOICE 517.485.3588

FAX 517.485.3043

staff@cedam.info



COMMUNITY ECONOMIC DEVELOPMENT ASSOCIATION OF MICHIGAN



UNITING PARTNERS TO REBUILD OUR COMMUNITIES

March 14, 2012

TO: State Senator Judy Emmons

CC: Members of the Senate Committee on Families, Seniors and Human Services

RE: The asset test proposed in House Bill 5033 & Errors in Senate Fiscal Analysis of the Bill

Dear Senator Emmons:

I am writing in opposition to the part of House Bill 5033 that would require an asset test for the Food Assistance Program (FAP) administered by Michigan's Department of Human Services (DHS). Instead of encouraging families to achieve self-sufficiency and promoting positive financial behaviors and economic security, asset limits force families to forfeit long-term savings and economic self-sufficiency in order to receive vital short-term assistance. Moreover, in addition to prolonging the financial insecurity of Michigan families, asset tests unnecessarily increase administrative costs to the state, in both time and money, that could otherwise go to improving efficiency in service.

I am the director of the Asset Building Policy Project (ABPP) at the Community Economic Development Association of Michigan (CEDAM). The ABPP at CEDAM works to decrease asset poverty¹ in Michigan by helping families achieve sustainable financial security through saving and building assets. Through the work of CEDAM members, we know first-hand that few people have ever spent their way out of poverty. Those Michigan families that have escaped the generational cycle of poverty have done so through savings and investing in long-term financial assets and goals. Safety net policies like FAP should help families overcome temporary difficult economic times and encourage sustainable economic self-reliance -- asset tests do the opposite.

Rather than encourage self-sufficiency, assets limits discourage savings among recipients or force recently un- and underemployed families to deplete their emergency savings for temporary assistance. This can both perpetuate and create new generations of Michigan families and children living paycheck to paycheck or in poverty, and result in families spending a longer time receiving government assistance.

Thirty-seven states have eliminated asset limits² for food assistance because of the growing recognition that while income and income supports like FAP will help a family get by during tough financial times, only assets and savings will help families get ahead and build lasting economic security. This recognition has also led to a growing number of states and communities supporting other asset building policies and strategies that address liquid asset poverty, a lack of liquid savings necessary to live at the poverty line for three months without any income, and economically empower individuals and families.³

As of October, 1, 2011, DHS implemented an asset limit of \$5,000. This means that a family of four must deplete their savings to below the asset poverty threshold in order to receive any FAP benefit. This not only sends the wrong message -- that having assets and savings is a bad thing -- it hinders the ability to achieve financial security for the future. This is not a message Michigan should send, or a financial position we should encourage if the purpose of DHS and its programs and policies is to instill financial self-sufficiency and economic independence.

¹ Asset Poverty a lack of liquid assets or savings necessary for a person or family to live above the poverty line for three months without any income. In 2011 the asset poverty threshold for a family of four is \$5588 in savings.

² CFED Policy Brief (http://assetsandopportunity.org/scorecard/assets/pb_AssetLimits.pdf), January, 2012

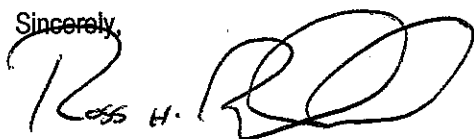
³ For more on this movement, see www.cfecoalition.org

Putting aside the above arguments, asset limits are also an issue of government efficiency and the responsible use of taxpayer dollars. The asset test proposed in HB 5033 will have a negative impact on Michigan's General Fund General Purpose budget. While the cost of the FAP benefits is entirely covered with federal funds, the cost of administering the program is split 50/50 between the state and the federal government. This change requires caseworkers to verify the assets of roughly 927,000 cases or two million recipients. Considering DHS's estimated number of total cases that will be closed⁴, this policy is costly, time consuming and inefficient considering the relatively small impact on case closure. Moreover, DHS has yet to provide an estimate of the cost of the new asset test to Michigan taxpayers which could very well exceed \$18 million on an ongoing, annual basis.⁵

It often takes years to realize the positive return on investment in state spending on social services and human capital, but that is not the case here. Eliminating asset limits would have an immediate and positive impact on both the state budget and the roughly two million Michigan residents who rely on the FAP program to help them get through their current economic and financial insecurity. That is why, on behalf of CEDAM, our members and the families they serve, I ask that you amend House Bill 5033 by removing the requirement for an asset test.

As you and members of the Michigan Senate consider House Bill 5033 and other issues related to family self-sufficiency and economic security, I encourage you to consider how policies like asset limits create unintended barriers to financial empowerment and independence. Please do not hesitate to contact me if you have any questions or require any additional information.

Sincerely,



Ross H. Yednock
Director, Asset Building Policy Project

The Community Economic Development Association of Michigan (CEDAM), a nonprofit organization, represents hundreds of organizations and individuals committed to rebuilding our neighborhoods and revitalizing communities throughout Michigan. CEDAM is a membership association of primarily nonprofit community development corporations (CDCs), community action agencies, and other nonprofits that provide affordable and supportive housing to our most vulnerable citizens, encourage downtown and commercial corridor revitalization, provide workforce and entrepreneurship training and help families develop and maintain assets. For more information about CEDAM, please visit www.cedam.info.

⁴ DHS released a document on September 28, 2011 stating that 15,000 (out of roughly 927,000) FAP cases will be closed. This is equal to 1.6%.

⁵ In January 2012 there were 927,375 FAP cases. Assuming assets must be verified for each case and the total time spent verifying assets is one hour, then the initial cost to the state will be \$18,946,271 (927,375 x the median hourly rate of a DHS Eligibility Specialist).